Safe & Sound

Formerly the San Francisco Child Abuse Prevention Center

Financial Statements

Year Ended December 31, 2017
(with Summarized Information for the
Year Ended December 31, 2016)

Safe & Sound

Financial Statements

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(with Summarized Information for the Year Ended December 31, 2016)

Safe & Sound

Contents

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Independent Auditor's Report

To the Board of Directors
Safe & Sound
San Francisco, California

We have audited the accompanying financial statements of Safe & Sound, a California non-profit benefit corporation, which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Safe & Sound as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Safe & Sound's 2016 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated August 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA LLP

August 3, 2018

Financial Statements

Safe & Sound

Statement of Financial Position
December 31, 2017 (with Comparative Totals for 2016)

December 31,		**2017**		2016
Assets				
Cash and cash equivalents	**$**	**3,333,494**	$	3,346,165
Investments		**766,149**		745,764
Government contracts receivable		**1,302,055**		819,801
Pledges and grants receivable, net		**762,945**		953,897
Prepaid expenses and other assets		**566,874**		473,422
Property and equipment, net (Note 5)		**6,583,042**		6,733,553
Total Assets	**$**	**13,314,559**	$	13,072,602
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued expenses	**$**	**301,261**	$	204,491
Accrued vacation		**170,117**		137,500
Deferred revenue		**105,355**		31,298
Other liabilities		**29,459**		32,938
Total Liabilities		**606,192**		406,227
Net Assets:				
Unrestricted		**11,183,530**		10,660,316
Temporarily restricted (Note 6)		**1,514,837**		1,996,059
Permanently restricted (Note 7)		**10,000**		10,000
Total Net Assets		**12,708,367**		12,666,375
Total Liabilities and Net Assets	**$**	**13,314,559**	$	13,072,602

See accompanying notes to financial statements.

Safe & Sound

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2017
(with Comparative Totals for 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Support & Revenue:					
Government grants	$ 2,450,856	$ -	$ -	$ 2,450,856	$ 1,936,994
Foundation and corporate grants	545,000	1,207,801	-	1,752,801	2,111,086
Fundraising events, net of direct donor benefits					
of $111,655 in 2017 and $86,247 in 2016	641,759	1,130	-	642,889	590,126
Donations	568,097	54,965	-	623,062	793,350
Rental income	559,374	-	-	559,374	578,839
In-kind revenue	321,911	-	-	321,911	265,930
Program service fees	71,630	-	-	71,630	98,714
Investment Income	17,309	642	-	17,951	23,053
Other income	11,290	-	-	11,290	4,043
Net assets released from restriction:					
Satisfaction of donor requirements	1,745,760	(1,745,760)	-	-	-
Total Support & Revenue	6,932,986	(481,222)	-	6,451,764	6,402,135
Functional Expenses					
Program services	5,059,873	-	-	5,059,873	4,516,237
Management and general	614,143	-	-	614,143	687,606
Fundraising	735,756	-	-	735,756	747,905
Total Functional Expenses	6,409,772	-	-	6,409,772	5,951,748
Write-offs due to property acquisition (Note 10)	-	-	-	-	1,423,313
Total Expenses	6,409,772	-	-	6,409,772	7,375,061
Change in Net Assets	523,214	(481,222)	-	41,992	(972,926)
Net Assets, beginning of year	10,660,316	1,996,059	10,000	12,666,375	13,639,301
Net Assets, end of year	$ 11,183,530	$ 1,514,837	$ 10,000	$ 12,708,367	$12,666,375

See accompanying notes to financial statements.

Safe & Sound

Statement of Functional Expenses
For the Year Ended December 31, 2017 (with Comparative Totals for 2016)

	PROGRAM SERVICES				SUPPORTING ACTIVITIES			
	Children & Family Services	Community Education	Strategic Partnerships	Total Program Services	Management and General	Fundraising	2017 Total	2016 Total
Salaries and Stipends	$ 1,796,700	$ 297,478	$ 559,373	$ 2,653,551	$ 386,489	$ 417,072	$ 3,457,112	$ 3,187,532
Payroll Taxes and Benefits	363,320	51,534	88,830	503,684	68,393	65,748	637,825	601,554
Subcontractors	31,808	-	456,193	488,001	-	-	488,001	354,602
Consultants	127,825	22,092	96,323	246,240	20,514	109,211	375,965	314,637
Utilities and Maintenance	48,011	14,521	193,196	255,728	10,247	10,817	276,792	322,586
Legal	84,480	25,702	63,756	173,938	18,914	22,162	215,014	161,264
Office Supplies, Postage, Printing, and Copying	39,507	5,216	22,277	67,000	8,780	36,511	112,291	67,676
Insurance	22,451	4,019	46,233	72,703	3,369	3,541	79,613	60,301
Client Support	76,227	-	-	76,227	-	-	76,227	62,865
Recruitment and Professional Development	29,284	4,205	12,553	46,042	20,282	5,761	72,085	59,087
Program Supplies	42,257	8,968	9,757	60,982	-	-	60,982	42,246
Travel, Conferences, and Meetings	15,622	4,689	33,259	53,570	2,549	3,840	59,959	19,818
Dues & Subscriptions	26,598	1,634	9,091	37,323	2,645	15,505	55,473	37,845
Bay Park Owners Association Dues	-	3,549	51,021	54,570	-	-	54,570	44,390
Audit and Tax	-	-	-	-	44,465	-	44,465	35,248
Telephone & Communications	17,044	1,423	10,934	29,401	3,740	3,936	37,077	30,361
Staff Appreciation	18,327	3,038	5,589	26,954	3,163	3,393	33,510	31,273
Bank Charges and Interest Expense	4,614	78	170	4,862	563	18,689	24,114	20,475
Accounting and Payroll	11,638	1,948	3,665	17,251	2,508	2,719	22,478	19,621
Expendable Equipment	5,122	1,951	2,618	9,691	813	932	11,436	67,445
Space Rental	7,402	430	770	8,602	-	-	8,602	121,582
Board Expenses	-	-	-	-	3,947	435	4,382	6,571
Bad Debt Expense	-	-	-	-	-	2,102	2,102	13,377
Equipment Rental & Repair	930	-	-	930	203	221	1,354	3,334
Depreciation	56,812	40,855	74,956	172,623	12,559	13,161	198,343	266,058
Total Functional Expenses	$ 2,825,979	$ 493,330	$ 1,740,564	$ 5,059,873	$ 614,143	$ 735,756	$ 6,409,772	$ 5,951,748

See accompanying notes to financial statements.

Safe & Sound

Statement of Cash Flows
For the Year Ended December 31, 2017
(with Comparative Totals for 2016)

For the Years Ended December 31,		**2017**		2016
Cash Flows from Operating Activities				
Change in net assets	**$**	**41,992**	$	(972,926)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Write-offs due to building acquisition		**-**		1,423,313
Loss on write-off of property and equipment		**1,137**		9,200
Depreciation expense		**198,343**		266,058
Provision for (recoveries of) doubtful accounts		**(43,448)**		1,666
Provision for Medi-Cal reimbursements		**12,130**		-
In-kind donated services		**-**		(52,389)
Net realized and change in unrealized gain on investments		**(3,771)**		(7,847)
Changes in assets and liabilities:				
Government contracts, pledges, and grants receivable		**(247,854)**		165,421
Prepaid expenses and other assets		**(93,452)**		42,464
Accounts payable and accrued expenses		**84,640**		46,946
Accrued vacation		**32,617**		23,857
Deferred revenue		**74,057**		(9,209)
Other liabilities		**(3,479)**		11,385
Net Cash Provided by Operating Activities		**52,912**		947,939
Cash Flows from Investing Activities:				
Purchase of investments		**(16,614)**		(15,000)
Purchase of Third Street property		**-**		(4,070,168)
Purchase of fixed assets		**(48,969)**		(19,726)
Net Cash Used in Investing Activities		**(65,583)**		(4,104,894)
Decrease in Cash and Cash Equivalents		**(12,671)**		(3,156,955)
Cash and Cash Equivalents, beginning of year		**3,346,165**		6,503,120
Cash and Cash Equivalents, end of year	**$**	**3,333,494**	$	3,346,165
Supplemental Non-Cash Disclosures:				
Capitalized in-kind legal costs	**$**	**-**	$	27,728
Non-Cash Investing Activities:				
In-Kind legal costs capitalized as part of purchase of Third Street property	**$**	**-**	$	24,661

See accompanying notes to financial statements.

1. Organization

Nature of Activities

Safe & Sound, formerly the San Francisco Child Abuse Prevention Center, is a nonprofit organization established in 1973 whose mission is to prevent child abuse and reduce its devastating impact. Exempt from income taxes under Internal Revenue Code Section 501(c)(3) and section 23701(d) of the California Revenue and Taxation Code, Safe & Sound is governed by a 22-member Board of Directors. Safe & Sound supports vulnerable children and their families, educates children and adults in the community about child safety, collaborates to ensure that the systems and social safety net protect children and effectively respond to instances of abuse, and advocates for children and their safety, and works to build a movement of people who do too. Detailed information is available at safeandsound.org.

Our programs include:

Children & Family Services

We provide holistic, strength-based services to families with children in our community. By using our evidence-informed approach, we help families build upon their strengths to increase their protective factors: parental resilience, social connections, concrete support in times of need, knowledge of parenting and child development, and social and emotional competence of children. We provide one-on-one support to 750+ families; parenting education, support groups, skills workshops and community events; 24/7 telephone counseling; and Integrated Family Services (IFS)—care coordination and intensive support to families with increased risk for abuse. Over 75% of highly vulnerable families enrolled in IFS for at least six months demonstrate improvements in protective factors shown to correlate with low rates of abuse.

Community Education

We teach classes and workshops as well as develop curriculum on child safety and security. Our safety lessons reach 6,500+ children and our safety education trainings reach 2,000+ adults, including parents and child-serving professionals, to ensure abuse is reported. Over 90% of teachers report that our classes give their students tools to keep themselves safe and over 90% of adults say that they are more likely to take action if they suspect abuse.

Strategic Partnerships

We collaborate with government agencies and community organizations throughout the Bay Area to provide support and services to children and their parents or caregivers. These collaborations bolster our ability to prevent child abuse, unearth cases of abuse, and respond to those cases. As backbone agency for the trauma-informed, multidisciplinary Children's Advocacy Center of San Francisco (CAC), we coordinate trauma-informed care that includes forensic interviews, multidisciplinary support, and referrals of eligible clients who need follow-up care to appropriate mental health services, to help with the process of healing.

Funding and Revenue Concentration

Safe & Sound receives approximately 35% of its unrestricted income from government grants primarily awarded by various departments within the City & County of San Francisco. Should these grantors reduce their level of support, Safe & Sound could be required to reduce the level of activity of some of its programs.

2. Summary of Significant Accounting Policies

Method of Accounting

The financial statements of Safe & Sound are prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Basis of Presentation

Net assets, revenues, expenses, gains, and losses are classified based upon the existence or absence of donor-imposed restrictions. Accordingly, net assets of Safe & Sound and changes therein are classified and reported as follows:

- **Unrestricted net assets**, which includes resources not subject to donor-imposed restrictions.

- **Temporarily restricted net assets**, which includes resources subject to donor-imposed stipulations that may or will be met either by actions of Safe & Sound and/or the passage of time.

- **Permanently restricted net assets,** which includes resources subject to donor-imposed restrictions that require permanent investment by Safe & Sound.

Revenue Recognition and Accounting for Restricted Support

Contracts, grants, and contributions are recognized at fair value as revenue when received or unconditionally promised and collection is deemed to be reasonably certain.

Safe & Sound reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets are released from restriction.

Safe & Sound reports gifts of fixed assets as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those assets must be maintained, Safe & Sound reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Safe & Sound recognizes conditional contracts, grants or contributions when the conditions are met. Safe & Sound recognizes program revenues and rental income when earned. Rental income is recorded on a straight-line basis over the lease terms.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates made by Safe & Sound include useful lives of property and equipment, valuation of pledges receivable and in-kind revenues and the allocation of functional expenses.

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with Safe & Sound's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with maturities of three months or less at date of acquisition, including money market accounts.

Investments

Investments in marketable securities are recorded on their trade date and are stated at fair value in the statements of financial position. Realized and unrealized gains and losses, interest, and dividends are included in the statement of activities and changes in net assets in investment income.

Government Contracts Receivable

Government contracts receivable include amounts billed and unbilled under various governmental contracts for program services performed during the year. Management periodically reviews the collectability of government contracts receivable and provides a provision at the time it is determined that they are uncollectable.

Pledges and Grants Receivable

Pledges and grants receivable include amounts committed by donors but which have not yet been received by Safe & Sound. Pledges and grants receivable are measured at fair value upon receipt. If a pledge or grant is not expected to be collected within one year, it is discounted to its estimated fair value using a present value technique. The fair value of a pledge that is collectable within one year is recognized at its net realizable value. Management periodically reviews the collectability of pledges and grants receivable and provides a provision at the time it is determined that they are uncollectable.

Unconditional pledges and grants receivable are due as follows:

December 31,		**2017**		2016
Less than one year	**$**	**697,730**	$	842,928
1 – 5 years		**75,000**		165,000
Pledges and grants receivable		**772,730**		1,007,928
Less: Discount on long-term pledges and grants		**(1,953)**		(2,751)
Less: Reserve for uncollectable pledges and grants		**(7,832)**		(51,280)
Pledges and grants receivable, net	**$**	**762,945**	$	953,897

The amounts presented above have been discounted to present value using a discount rate of 1.76% and 1.03% in 2017 and 2016, respectively. During 2016, Safe & Sound received a $100,000 conditional grant from a private foundation, payable once Safe & Sound found a matching grant amount, subject to a one-year maximum time limit. Subsequent to year end, in 2017, Safe & Sound satisfied the condition of finding a matching grant.

Property and Equipment

Property and equipment are reported at cost if purchased, or at fair value at the date of gift if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 30 years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and maintenance are charged to expense when incurred.

Long-Lived Assets

Long-lived assets, such as land, building and other property, are reviewed at least annually for impairment or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset be tested for possible impairment, Safe & Sound first compares undiscounted cash flows expected to be generated by an asset to the carrying value of the asset. If the carrying value of the long-lived asset is not recoverable on an undiscounted cash flow basis, an impairment loss is recognized to the extent that the carrying value exceeds its fair value. Safe & Sound determines fair value of long-lived assets held and used by reference to independent appraisals, quoted market prices (e.g. an offer to purchase) and other factors. There were no impairment charges recorded in the periods presented.

Fair Value Measurements

Safe & Sound considers fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Valuation techniques used to measure fair value are either observable or unobservable. Observable inputs reflect assumptions that market participants would use in pricing an asset or liability based on market data obtained from independent sources, while unobservable inputs reflect a reporting entity's pricing based on their own market assumptions. Safe & Sound utilizes the following three-level fair value hierarchy to establish the priorities of the inputs used to measure fair value:

- **Level 1** - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

- **Level 2** - Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- **Level 3** - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table presents the fair value hierarchy for the financial assets held by Safe & Sound measured at fair value on a recurring basis as of December 31, 2017 and 2016:

As of December 31, 2017	Level 1	Level 2	Level 3
Assets:			
Cash Equivalents (Money Market)	$ 189,111	$ -	$ -
Investments [(a)]	577,038	-	-
Total	$ 766,149	$ -	$ -

As of December 31, 2016	Level 1	Level 2	Level 3
Assets:			
Cash Equivalents (Money Market)	$ 188,994	$ -	$ -
Investments [(a)]	556,770	-	-
Total	$ 745,764	$ -	$ -

[(a)] Investments are in mutual funds whose underlying investments consist principally of intermediate and short term bond funds and securities.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques may require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period. For the years ended December 31, 2017 and 2016, there were no significant transfers in or out of levels 1, 2 or 3.

The carrying amounts of Safe & Sound's other financial instruments, which include accounts receivable, accounts payable and other accrued expenses, approximate their fair values due to their short-term maturities.

Functional Expenses

Safe & Sound allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly. Indirect expenses are allocated based on the ratio of each function's salary expense to total salary expense, with the exception of certain Third Street building expenses (inclusive of utilities and maintenance, insurance, and Bay Park Owners Association dues), which are considered costs of the Strategic Partnerships function.

Reclassifications

Certain prior year balances have been reclassified to conform to current year presentation. These reclassifications had no impact on previously reported change in net assets or operating cash flows.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FASB also issued ASU 2015-14, which deferred the effective date for Safe & Sound until its annual period beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use ("ROU") model that requires, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for Safe & Sound's fiscal year beginning after December 15, 2019 with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

In August 2016, the FASB issued ASU 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) – Presentation of Financial Statements of Not-for-Profit Entities." The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now entitled "net assets without donor restrictions" and "net assets with donor restrictions," (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed in service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for Safe & Sound's financial statements for fiscal years beginning after December 15, 2017. Early adoption is permitted. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for periods prior to adoption. Management is currently evaluating the impact of this ASU on its financial statements.

3. Tax Status

Safe & Sound is exempt from federal and California state income taxes under Section 501 (c)(3) of the Internal Revenue Code and Section 23701(d) of the California Revenue and Taxation Code, respectively. Safe & Sound had no sources of unrelated business income during the years ended December 31, 2017 and 2016.

Safe & Sound follows the authoritative guidance for accounting for uncertainty in income taxes. Safe & Sound does not believe there are any material uncertain tax positions and; accordingly, has not recognized any liability for unrecognized tax benefits. Safe & Sound has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, Safe & Sound has filed IRS Form 990 tax returns as required and all applicable returns in those jurisdictions where it is required. Safe & Sound believes that it is no longer subject to U.S. federal, state and local or non-U.S. income tax examinations by tax authorities for years before 2013. However, Safe & Sound is still open to examinations by tax authorities from fiscal year 2013 forward. For the year ended December 31, 2017, there were no penalties or interest recorded in the statements of activities.

4. Concentrations of Credit Risk

Financial instruments that potentially subject Safe & Sound to concentrations of credit risk consist of cash deposits with a commercial bank and a brokerage firm. Safe & Sound maintains its cash accounts with two commercial banks. The accounts at the commercial banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to a maximum of $250,000 for FDIC insured accounts. As of December 31, 2017, Safe & Sound held cash balances in excess of insured amounts. The risk is managed by maintaining all deposits in high quality financial institutions.

5. Property and Equipment, net

Property and equipment, net at December 31, 2017 and 2016 are as follows:

	2017	2016
Land	**$ 2,102,159**	$ 2,102,159
Building and building improvements	**5,220,716**	5,195,061
Furnishings and equipment	**154,896**	137,719
Intangibles	**5,000**	-
	7,482,771	7,434,939
Less: accumulated depreciation	**(899,729)**	(701,386)
Property and equipment, net	**$ 6,583,042**	$ 6,733,553

Depreciation expense for years ended December 31, 2017 and 2016 was $198,343 and $266,058, respectively.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets represent pledges and grants to Safe & Sound that have been restricted for a specific purpose or time period. Temporarily restricted net assets at December 31, 2017 and 2016 were as follows:

	2017	2016
Children & Family Services	**$ 472,301**	$ 676,250
Community Education	**112,953**	190,453
Strategic Partnerships	**242,300**	294,407
Third Street Building Purchase and Operating Reserve	**352,735**	350,000
Time Restricted	**313,048**	463,449
Other Specific Purposes	**21,500**	21,500
Total temporarily restricted net assets	**$ 1,514,837**	$ 1,996,059

7. Permanently Restricted Net Assets - Endowment Fund

In the past, Safe & Sound planned to establish an endowment fund. $10,000 was raised, but the effort was subsequently discontinued.

8. Retirement Plan

Safe & Sound sponsors a 403(b) defined contribution retirement plan (the Plan) covering employees who have been employed by Safe & Sound for at least one year and who regularly work at least 20 hours per week. Employees may elect to make contributions to the Plan. Employer contributions made on behalf of eligible employees are discretionary. Safe & Sound contributed $38,183 and $31,870 to the Plan for the years ended December 31, 2017 and December 31, 2016, respectively.

9. Commitments and Contingencies

Leases

In March 2012, Safe & Sound entered into a 10-year lease for 3450 Third Street, Building 2 to provide space for the CAC (as described above in Note 1). Contemporaneously with the exercise of the lease, Safe & Sound entered into sublease agreements with both Sutter Health/California Pacific Medical Center and the Center for Youth Wellness through the end of the 10-year lease option. In June 2014, Safe & Sound signed a nine-year sublease with the Human Services Agency of the City and County of San Francisco.

In June 2016, Safe & Sound purchased the property as more fully described in Note 10. Upon purchase of the property, Safe & Sound became the landlord and was no longer obligated to pay rent. The terms of the sublease agreements as amended remain in effect. Total rental expense for the years ended December 31, 2017 and 2016 was $0 and $112,375, respectively.

Safe & Sound's future minimum estimated rental income, as of December 31, 2017 are as follows:

Year Ending December 31,		Rental Income
2018	$	399,000
2019		424,000
2020		435,000
2021		447,000
2022		459,000
Thereafter		116,000
	$	2,280,000

10. Property Acquisition

On June 28, 2016, Safe & Sound acquired 3450 Third Street, Building 2, which is home to our strategic partnership and community education programs. The acquisition of the property was recorded as an asset acquisition. The purchase price was $4,000,000 plus closing costs of approximately $133,000. In addition, there were approximately $57,000 of in-kind legal services rendered associated with the property acquisition which was capitalized to property and equipment.

In connection with the property acquisition, Safe & Sound recorded non-operating write-offs of $1,423,313, as reported on the statement of activities as write-offs due to property acquisition. These write-offs are non-cash items which did not affect operating cash flows and are summarized as follows:

		2016
Write-off of unamortized in-kind legal asset related to the master lease	$	35,223
Write-off of leasehold improvements upon purchase of property		1,517,837
Write-off of straight-line rent liability related to the master lease		(129,747)
Total write-offs due to property acquisition	$	1,423,313

11. Subsequent Events

On February 1, 2018, Safe & Sound became the fiscal sponsor of the San Francisco Family Support Network, a charitable project whose mission is to work collectively to achieve quality programs, coordination of resources, and policies that support all San Francisco families. The project operates with an approximate annual budget of $220,000.

Subsequent events have been evaluated through August 3, 2018, the date the financial statements were available to be issued.